The development phase of foreign investment projects in the People's Republic of China

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Abstract

China has been in the process of modernising its economy for almost 20 years. A feature of this process has been the attraction of foreign investment. Whilst such investment takes many forms, a significant amount is channelled into construction for end-user joint venture companies and other forms of foreign investment.

This paper examines the process of development with the objective of identifying the idiosyncrasies of the system relative to those commonly found in developed countries, within the context of the emerging market in China. In particular, the institutional arrangements for designing the project and project managing the pre-construction phase are examined. The structure of the indigenous design institutes and their integration with foreign design teams are explained.

Introduction

During 1978-79 Deng Xiaoping became the paramount leader of the People’s Republic of China (P.R.C.) and launched China’s economic reforms as a platform for modernisation. The last twenty years have seen dramatic changes as China moved from a centrally controlled communist State to a socialist market economy. Whilst progress in the first ten years was significant, the development of the last ten years have been nothing short of phenomenal. Yet it should not be forgotten that China is one of the more ancient of human civilizations, with a recorded history of thousands of years. Politics and culture are well developed and education continues to receive increased emphasis. Some parts of the technological base are highly sophisticated, as evidenced by the advanced satellite programme, but many are not and there are great economic disparities between regions.

The P.R.C. is now clearly and irrevocably committed to continuing the economic reform of the last two decades. In his keynote speech at the World Bank/IMF meeting in Hong Kong in September 1997, Vice-Premier Zhu Rongji said the P.R.C.’s reform were irreversible and that the country would maintain its present pattern of high economic growth and low inflation.

A cornerstone of continuing development is to attract foreign investment, technology and expertise, through joint venture arrangements with foreign parties. As one of the greatest potential markets the world has known, China is in a good position to achieve
its aim. The number of contracts for direct foreign investment increased from just over 3,000 in 1985 to a peak of about 83,000 in 1993 decreasing to about 20,000 in 1998 as a result of the Asian financial crisis. (State Statistical Bureau, 1997). This has invariably been achieved through joint venture companies comprising a partner from China and one or more foreign partners. For foreign investment joint ventures in China to be successful they must, as the very least, have efficient buildings in which to invest or conduct their operations, whether factories, offices, hotels, roads or power stations. During the period of the “Eighth Five-Year Plan” from 1991-1995 a total number of 229,800 projects with foreign direct investment were approved, with the contractual foreign investment of US$354.5 billion and an actually paid-in foreign investment of US$114.7 billion, representing an increase of 9.1 times, 13.46 times and 7.04 times respectively over the “Seventh Five-Year Plan” period. An increasing number of multinationals have made investments in China. The average contractual foreign investment for each project was up from US$906,800 in 1990 to US$2.45 million in 1995. Under the “Ninth Five-Year Plan” for 1996-2000 and the long-term objective for 2010, the P.R.C. has called for the opening to the outside world to be further intensified (Almanac, 1996/7)

It is, of course, to be expected that the Asian financial crisis of 1997/98 will affect the rate of future growth and the rate of increase of foreign investment. However, the scale of China’s internal market, its need for infrastructure development and its long term prospects will continue to attract overseas companies to invest.

This paper looks essentially at the issues involved in commissioning, designing and constructing buildings for joint venture companies in China.

It must be stressed that nothing is ‘typical’ (Walker, 1998). The sheer size and huge population of this modernising country lead inevitably to a diversity of approach. The conditions which foreign parties will encounter can be indicated, but not specified; it is impossible to give absolute answers and statements.

**Foreign Investment Joint Ventures**

Foreign investment in China can take several forms:
- equity joint ventures,
- co-operative ventures (or contractual joint ventures),
- compensation trade
- wholly foreign-owned enterprises
- processing and assembly

Foreign investment joint ventures can operate in a range of economic sectors within the P.R.C., for example utilities, transport, manufacturing, commerce, tourism, development. They are all potential clients for the services of foreign consultants and contractors as whatever their area of operation they are likely to require buildings and infrastructure works with which to conduct their operations.
By far the largest proportion of foreign investment is through equity joint ventures. Equity joint ventures are normally structured as limited liability companies jointly invested in and managed by a foreign firm, enterprise or other economic organisation or individual together with a P.R.C. company, enterprise or other economic organisation, which divides profits and losses according to equity shares. The partners may contribute cash or other assets, such as land use rights, buildings and equipment. They are governed by the Sino-Foreign Equity Joint Venture Law and have to be approved by the Ministry of Foreign Trade and Economic Co-operation.

The share of the foreign partner must not be less than 25%. There is no limit on the proportion of foreign ownership. At the end of 1995, 62% of all foreign investment enterprises were equity joint ventures (HSBC Group, 1997).

The Current Position

The increase in foreign investment both pledged and actually utilized is shown by Figure 1 and 2, in particular the rapid increase after 1990 compared with steady growth before then. The increase in investment in the ten years from 1987 to 1998 shows an increase of 12 times in total, with a proportionated, greater increase in wholly foreign own enterprises compared to equity joint venture. The reduction in foreign capital in signed agreements between 1993 and 1994 followed Deng Xiaoping’s up-beat visit to southern China in 1992 which fuelled the rapid increase in pledged investment. This was quickly followed by Vice Premier Xu Rongji applying the brakes to an overheating economy. A more gradual increase then resumed. The Asian financial crisis of 1997/98 is likely to see a continuation of this reduction even if incentives are restored. Nevertheless the value of foreign capital actually used continued to gradually increase over the period and is a better reflection of the rate of growth. These levels can also be expected to moderate over the next few years but the potential for future growth remains.
The location of joint ventures

Foreign investment can be undertaken almost anywhere in China. However, by far the major concentration of foreign investment has been on the Eastern coastal region catalysed by the Special Economic Zones, Open Economic Zones and other initiatives all of which were located in the East. As a result 85% of foreign investment went to this region as shown in Figure 3 and located by Figure 4.

Consequently China can be perceived in three economic regions, the East, the Centre and the West (the nine most remote provinces). The wealth differentials between these areas are huge. For example, a comparison of Shanghai with Guizhou Province in the south-west shows that the per capita GDP in Shanghai is 10 times higher and the average rural income nearly five times greater.

There is a resultant migration of workers from the western and central provinces to the cities, particularly these in the East. China has a clear policy of encouraging modernisation in the central and western regions but whether the expectation of a strong knock-on effect from the Eastern seaboard will be realised or whether increasing direct action will be necessary remains to be seen.

Land

The land on which the buildings required for a joint venture are constructed is usually contributed by the Chinese party to the joint venture. The ability of the Chinese partner to offer land in this way has come about through the reform of the land tenure system as an important part of China’s economic reforms.

After the adoption of the open-door policy in the late 1970s, the old land allocation system was soon shown to be incompatible and inappropriate to the economic reforms. In April 1988 the NPC passed the important amendment to the Constitution which paved the way for the formalisation of the reform of the legal regime governing the use of land and provided the legal basis for the transfer of land use rights for value.

Nevertheless, obtaining land by negotiation, auction or tender at market value still forms only a small proportion of total land transactions. The majority of land is still allocated administratively to government and quasi-government organisations by a land use fee system.

Until the recently enacted Law of the People’s Republic of China on Administration of the Urban Real Estate, there was only a series of uncoordinated pieces of legislation. The new law became effective on January 1, 1995. This first consolidated real estate law is by far the most significant legislation in the area of real estate ever to have been enacted by China and has become the landmark legislation in real estate (Walker, 1997). If any regional regulations are in conflict with the law, the latter prevails according to the Constitution. For details of how the national principles should be applied in the local context, investors have to look at the specific local rules and regulations.
Figure 3  Foreign investment actually utilized in 1998 by location

Figure 4  Location of foreign investments in the People’s Republic of China.
Management of the project

The normal procedure within the P.R.C. is for the Chinese party and the foreign party to form a foreign investment joint venture company to agree upon and appoint representatives to an internal and separate joint venture board to deal with and co-ordinate projects required in connection with the joint venture. The expertise and experience of the parties either in the field of construction or development will determine whether the joint venture board will provide the management and co-ordination roles within the project structure.

If the joint venture board is familiar with construction projects and the task of co-ordinating and managing the many parties that are involved, then the board may do this using its own resources. This would be the case if, for example, the foreign party was a Hong Kong developer with in-house project management capability or if the Chinese partner had long experience of developing projects. In the latter case the designers and other professionals would give advice.

However, if the joint venture company is relatively inexperienced with construction projects, the board may appoint a company to manage the project on its behalf. Such an outside company could be a foreign project management company, construction company, or design practice.

In addition a Preparatory Office (see below) lead by the Chinese partner would be formed to co-ordinate the project approvals and guide the project through the bureaucratic system.

*Figure 5* illustrates the types of organisational arrangements that might be used for a project but it is stressed that there are a wide range of arrangements available to suit the particular circumstances of each project.

Design and construction are clearly separated in the P.R.C. The design institutes are concerned solely with design and the construction companies solely with construction. There is no overlap. Design institutes are normally state-owned ‘design practices’ usually operating within the local government structure. The construction companies rely on the design institutes for designing to a shop drawing level of detail for all aspects of the work to be constructed. However the larger construction companies are beginning to provide some drawings for some joint venture projects.

There is no nationally agreed standard form of building contract or bidding arrangement in the P.R.C. for joint venture projects.

Preparatory office

Traditionally, a preparatory office has been established for local projects to handle procedures and submissions for approval, transportation, liaison with fire services, utilities and similar agencies, procurement, post contract payments and final accounts,
and to co-ordinate contractors and materials supply. This office acts as the ‘client’s representative’ to ensure that the project progresses.

Figure 5 Organisational arrangements that could be used for a construction project

It is mainly involved during the construction stage but its work does overlap the design stages in so far as procurement of construction is concerned. Its staff includes specialists who are responsible of ensuring that all the tasks which are commonly seen to be project management, are carried out. The specialists e.g. engineers, are often permanent employees of the client’s organisation.

Whilst preparatory offices are not mandatory on joint venture projects they are normally used as an extension of the local construction system. In such cases they are established
jointly by the Chinese partner and the foreign partner. Which party takes the lead depends on the type of joint venture and the project which is required, for example a Hong Kong developer would take the lead where the project was for property investment or for sale whereas the Chinese partner would normally take the lead if the joint venture was for trading or manufacture and property was required to support these functions. Nevertheless, often the Chinese partner will supply the manager and the overseas partner the deputy manager.

The use of a preparatory office does not mean that there will not be a project manager also employed by the foreign partner. If there was, the project manager would work in conjunction with the preparatory office and would be concerned essentially with the organisational and technical aspects of project management. The Chinese partner would guide the project through the approvals system and ensure that all requirements are satisfied.

**Getting the project designed**

*The Design Institutes*

A regulation issued by the State Development Planning Commission requires foreign design practices to work with PRC design institutes.

It is mandatory for a foreign architectural and engineering design practices to work in conjunction with a P.R.C. design institute. Design institutes are authorized to ‘chop’ (approve) the project drawings. Without a ‘chop’ the project cannot proceed.

Hence, the joint venture company has three options for arranging design:

- the employment of a foreign design practice working in collaboration with a P.R.C. design institute or vice versa
- the employment of a local P.R.C. design institute alone
- the employment of a design company permanently established in the P.R.C. jointly by a design institute and a foreign design practice

Design institutes are multi-disciplinary organisations that carry out pre-contract design services for their clients for building and civil engineering projects. They function in a similar manner to the western style architectural and engineering design practices employing architects, structural, civil and building services engineers, estimators and other professionals. Most design institutes are owned by the state or local government. There is a wide range in the size of the design institutes and in the scope of services that they are equipped to offer.

Some design institutes have the capability of undertaking the complete design of the project. Other design institutes specialise and may provide a single or limited number of services.
The design institute’s involvement in a project normally ends once the design has been completed because, as stated in Chapter Five, in the PRC the design and construction processes are distinctly separated.

In addition to its mandatory role, the joint venture client will almost certainly require the design institute to contribute its skills and specialised knowledge in areas with which the foreign design practice may not be familiar which include:

- explaining the complex planning and building regulations approval processes and steering the design through them
- helping the design team to become familiar with local building regulations and specification requirements
- advising on the frequent amendments to the various regulations and approval processes and advising on their implementation
- providing information on city planning requirements such as height restrictions and zoning
- providing information on gas, water, telephone, and electrical utilities
- advising on the level of design detail required to be supplied to the construction companies
- assisting in translating any documentation
- advising on local trade and site practices
- advising on the availability of local materials
- providing the appropriate level of contacts in other government agencies
- developing the foreign designer’s design to the level of detail required by the construction company
- checking the structural engineering and the mechanical and electrical engineering calculations

Over recent years many foreign designers, particularly those from Hong Kong working regularly in China, have become familiar with PRC regulations and now only need advice in critical areas of the regulations.

The greater part of the design institutes’ workload is for indigenous projects. Design work for joint venture projects forms a very small but prestigious part of their total workload. Many of the larger design institutes in the major cities have been involved in the vast programme of construction of high quality international standard buildings over the last two decades and have acquired a great deal of experience in the design of these buildings. Nevertheless, in order to satisfy the requirements of joint venture clients, the design institutes need to continue to work very closely with the foreign designers to obtain the standards expected, and to continue the process of technology transfer.

Increasingly design institutes are becoming privatised. So far it has been the smaller design institutes that have taken this step. The larger institutes are still government owned and whilst possibly lacking some of the flexibility of the private practise design
companies are able to offer a more comprehensive service, including building services
design and cost management.

The design institutes compete on price and service. Joint venture companies are free to
choose either a private practice or public sector design institute but if the PRC partner is
a local government unit then a public sector design institute is likely to be preferred.

Scope and expertise of design institutes

The design institutes are registered by the state in association with the local construction
commission. Their classification on registration depends upon their experience, the
number of qualified personnel they employ and their facilities and equipment. They
may apply for upgrading at any time.

The size and expertise of design institutes vary considerably. They are classified in four
classes from A to D according to the type, size and location of the work they are
allowed to undertake.

The highest category of institute is Class A: registered by the state to work throughout
the PRC on projects of any size and complexity. The Class A institutes are most likely
to be involved as part of the team for joint venture projects. There is an increasing
number of Class A institutes.

Class B institutes can work in local government regions other than that in which they
are located.

Classes C and D are local design institutes and include a large number of very small
collective institutes.

Design institutes may be approved for only one type of building or for a range of
specified building types. They may also be approved for building or civil engineering
work or both.

<table>
<thead>
<tr>
<th>Public buildings</th>
<th>Residential buildings</th>
<th>Industrial buildings and warehouses</th>
<th>Other</th>
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<tbody>
<tr>
<td><strong>Class A</strong></td>
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<tr>
<td>All types</td>
<td>All types</td>
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<tr>
<td><strong>Class B</strong></td>
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<tr>
<td>High rise</td>
<td>Max storeys 18</td>
<td>Single storey</td>
<td>Chimneys, water towers and tanks, etc.</td>
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<td>max height 50m</td>
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<td>max span 30m</td>
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<td>grade 2</td>
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<td>max crane</td>
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<td>fireproofing</td>
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<td>capacity 30 tons</td>
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<td>Single storey</td>
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<td>max span 30m</td>
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<td><strong>Class C</strong></td>
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<td>High rise</td>
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<tr>
<td>Single storey</td>
<td></td>
<td>max height 24m</td>
<td>Medium chimneys, water towers, tanks, etc.</td>
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The criteria that must be satisfied for each category are very detailed and include, for example, the number of qualified personnel of the various disciplines that the institutes must employ. The projects on which each category are qualified to work are described in detail as shown in Figure 6.1.

In 1996 there were over 11,700 design institutes in China employing over 780,000 people. Design institutes generally lie within the hierarchy of committees established to initiate and control development and construction within the municipality, province and economic zone in which they are located as indicated for Shanghai in Figure 6.2. In addition many central government ministries have their own design institutes under their direct control, for example, the Ministry of Railways 169 and the Ministry of Construction 86. The ministries also have design institutes at provincial and municipal level.

The range in the size of design institutes is very wide, the largest municipal design institutes in Shanghai have over 900 professional and technical staff and the smallest under 100. The variation in size of the state controlled design institutes in Shanghai is even greater ranging from over 1,300 to under 50.

The design institutes adopt similar practices to foreign designers. They use a large range of standard design details for parts of local projects and are using computer aided design packages to produce working drawings.

The PRC is not used to package deal or design and build approaches where the contractor is responsible for design. The design institutes hold the monopoly on design work and contractors in China have little in-house design expertise. The design and build projects which are undertaken in the PRC are mostly carried out by foreign contractors which have a design capability and work alongside a local design institute.

Many design institutes do not yet have a well developed expertise in the standard of building services design required for joint venture projects particularly at a detailed level. In addition, PRC mechanical and electrical contractors do not normally have in-
Shangahi Municipal Construction Commission
Functional Offices:
- Party organisation
- Administration
- Organisation
- Planning
- Special projects
- Research

Construction management
- Construction materials
- Real estate
- Education
- Towns and villages
- Economic management
- Foreign economic management
- Public relations

Shanghai Construction Enterprise Management Unit (includes 10 construction companies)

Shanghai Design Management Office (includes 4 class A, 3 class B and 3 class C design institutes)

Shanghai Construction Work Quality Inspection Station

Shanghai Construction Professional Assessment Centre

Shanghai Construction Standardisation Management Office

Shanghai Construction Price Management Station

Shanghai Construction Tender Management Board

Shanghai Construction Trade Management Centre

Figure 6.2  The Shanghai Municipality design and construction hierarchy
house design expertise to produce the necessary shop drawings (the detailed drawings showing how an item or component is assembled and fixed into the building), especially combined services co-ordination drawings. It is therefore usual to use foreign mechanical and electrical contractors as they are accustomed to preparing shop drawings, based on the design prepared by the consultants and the design institutes.

Selection of design institutes for joint venture projects

Joint venture companies are free to choose the design institute to work with their foreign design team. Companies which build regularly in China, particularly Hong Kong companies, have built up good working relationships with particular design institutes and do not have any difficulty in selecting one with which they can work well.

It will take time and patience for the foreign design team and the design institute to develop an effective working relationship. There must be confidence and mutual respect for a good working relationship to develop. The foreign design team must understand how the Chinese construction industry operates, in particular it must realise that the level of design detail required is often far greater than it is used to producing. Similarly, the design institute needs to familiarise itself with the foreign design team’s methods of working.

It is more difficult for a joint venture company which is not familiar with PRC design institutes to choose a suitable one. Frequently the Chinese partner will be able to propose a design institute but even so problems can arise. An example of cross cultural misunderstanding leading to problems is if companies from countries which are used to the design and build system try to impose this system on design institutes in China. The result is often failure due to a lack of familiarity on the design institute’s part.

Bringing two different cultures to work together will always be difficult, but if the brief is clearly established then the process can be mutually beneficial.

Collaboration Between the Foreign Design Team and the Design Institute

As discussed earlier, the extent of the design institute’s involvement in providing design services for a joint venture project can range widely. At one end of the spectrum the design institute may be appointed to provide the full design service as the sole design consultant. At the other end of the spectrum the design institute’s services may be restricted to acting in an advisory and consultancy capacity to a foreign design practice and, to satisfy the State Development Planning Commission’s regulations, to check, approve and chop the foreign design practice’s drawings to signify its approval.

In the final analysis the scope of the services awarded to the design institute will depend upon the perception of the parties to the joint venture agreement. The foreign party will probably feel more comfortable and confident in dealing with a foreign design team that he is familiar with, has worked with successfully on other projects and can communicate with more easily. The Chinese party, on the other hand, will probably feel
more comfortable with a design institute especially if he has worked successfully with it over the years.

When the Chinese party has the major influence in the selection of the consultants he may decide to appoint a design institute either as the sole consultant or to provide a wide range of design services working in conjunction with a foreign design practice. The preferred design institute would almost certainly be one of the larger ones with a strong background of design experience in high quality international standard buildings.

If the foreign party has the major influence in the selection of the consultants he will almost invariably prefer to appoint a foreign design practice as the lead consultant. The extent of the design institute’s participation in the design will then be a matter of discussion between the Chinese and the foreign parties.

Once the framework has been established by the client the onus is upon the two design groups to work out the best and most effective means of collaborating.

The interest shown by government in the relationship of the foreign designers and the design institute can, in exceptional cases, usually for significant and prestigious projects, extend to the construction bureau examining the detailed arrangement between the foreign designer and the design institute to satisfy itself that the respective roles are acceptable.

In the early days of the open door policy, design institutes used to be content to allow the foreign designers to design, whilst they observed and contributed where their knowledge was complementary, as for instance, with local earthquake engineering problems. But nowadays design institutes are eager to become more closely involved in design as their experience of joint ventures develops, with the eventual aim of working alone. The principal area in which design institutes still need to develop their knowledge base in order to become more self-sufficient is the design and detailing of sophisticated mechanical and electrical service installations. There also needs to continue to be an increasing awareness of quality and quality assurance.

As design institutes’ building services design expertise has not progressed as rapidly as their expertise in architectural and structural design of international class buildings, foreign building services engineering consultancies undertake practically all the conceptual design work. The design institutes’ role has, so far, been limited to checking and approving these designs. Shop drawings, which for other elements of the building would be undertaken by the design institutes, are usually prepared by the foreign building services contractor and submitted to the design institute for approval.

Hong Kong consultants have enormous advantages over others as they have bi-(or tri-)lingual staff who speak English, Cantonese and Putonghua and who understand the cultural base from which the design institute staff come. This helps to provide the patience often needed to deal with the bureaucracy of the Chinese system.
Design Approvals and Presentations

A project normally goes through a three stage approval process. The titles of the design stages and the level of detail required at each stage differ between local government regions but are generally:

- **conceptual design**
- **preliminary design**
- **detailed design (or tender drawings)**

In addition, at an early stage of the design development, drawings have to be submitted to the local town and country planning bureau for general approval.

At each stage drawings have to be “chopped” by the project’s design institute before submission and approval has to be obtained from the local construction commission. On some occasions the first stage, particularly if it is a submission of the master layout plan, may not require the design institute’s approval, only their comments.

In certain cities and in circumstances where there is a high level of confidence in the designers, the number of stages may be reduced. It is not uncommon for the conceptual and preliminary design stages to be combined into one extended preliminary design stage.

Whilst the structure of the approval process is based on the procedure laid down for local projects, in practice the requirements are flexible and vary from place to place and depend on the nature of the project. It is therefore necessary to discuss with the local construction commission their specific requirements for submission for approval but the following outlines the basic procedure:

**Conceptual design stage**

The conceptual design is required to be rather more than merely conceptual as defined in western style systems. It is equivalent to schematic design. The focus is on the design approach, and on meeting town planning and cultural requirements. A set of quite well developed drawings which show the scope and standard of the project and the architectural, structural, mechanical and electrical services and interior designs are usually required.

The proposals are circulated to all concerned government departments, such as public utilities and fire services for comment.

The designers are expected to respond to the points of criticism and the design institute can assist in identifying those changes which would overcome the criticisms.
Preliminary design stage

The preliminary design drawings are required to be more detailed than would be expected for a preliminary design submission in other countries. The level of detail required is similar to that expected for building regulation approval elsewhere. All calculations and the building services design drawings have to be included in the submission.

A presentation at which the project is explained in detail takes place before a large audience consisting of representatives of all concerned government departments. Some members of the audience will check that the concept has not changed, others will be concerned with ensuring that the regulations have been complied with.

This process is becoming more formalised with many issues being resolved before the large meeting takes place, leaving only residual unresolved questions to be settled at the meeting.

Detailed design stage

The detailed design drawings are required to be equivalent to working drawings. It is really a matter of working up the drawings from the preliminary stage in greater detail. Again drawings will be circulated to various government departments e.g. fire services, environmental protection, traffic and the designers are expected to respond to the requirements of these departments. This stage reflects the traditional needs of the construction companies to have drawings at a fine level of detail before tendering, although in practice tendering often takes place before this level of detail has been developed.

At the end of these stages a construction project planning permit will be issued upon approval by the construction commission. Application may then be made to commence work.

Permission to Build

Permission to commence construction has to be obtained from the local construction commission which will issue a commencement of work permit. At the same time the town planning commission will issue a construction and engineering planning permit. Application will usually be made by the preparatory office and will need to be accompanied by certificates of approval of the drawings and the articles of agreement signed by the parties to the building contract. The construction commission will satisfy itself that all preparatory work has been carried out and everything is in order.

The process for obtaining permission to build varies between cities and cannot be generalised.
Conclusions

Whilst China continues to demonstrate the bureaucratic characteristics of a centrally controlled communist state, the number of joint venture project successfully developed over the last 20 years shows that the system can produce projects for investment and for operational uses. In particular, the rapid increase in joint ventures and associated projects since 1990 indicates a significant easing of the constraints on development.

The key to successful development is an understanding of the system in the location of the project and patience in dealing with government employees. (Flanagan and Li (1997)).

For both foreign investors and consultants China is a long term market. All the major Hong Kong consultants working there take this view and do not expect significant profits in the short term. They invest their energy in China in the belief that China will be the world’s next great market and may be the greatest ever. It is against this scenario that consultants from other regions have to consider their strategy and whether China should figure in it.

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